



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 • (562) 570-6169 • Fax (562) 570-5836

January 23, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION

Adopt attached Resolution of Intention to establish City of Long Beach Community Facilities District No. 2007-1 (Douglas Park-Commercial Area) Improvement Area A and Improvement Area B; Initiate proceedings to levy special taxes; Approve boundaries and rate and method of apportionment; Establish voting procedures and set date of public hearing for February 20, 2007. (District 5)

DISCUSSION

The City and McDonnell Douglas Corporation (Corporation), a wholly-owned subsidiary of The Boeing Company, are parties to a Development Agreement recorded on June 2, 2005, as document number 05-1290603 in the Los Angeles County Recorder's Office relating to the development of the area in the City of Long Beach known as Douglas Park. Section 8.23 of the Development Agreement provides that the Corporation, through its corporate agent Boeing Realty Corporation (BRC), may propose that the City initiate proceedings to form one or more public financing districts to finance costs of public improvement facilities in connection with the development of Douglas Park. The Corporation indicated its desire for the City to consider the formation of a community facilities district (CFD), and on January 16, 2007, the City Council adopted a resolution approving a Deposit/Reimbursement Agreement with the Corporation pursuant to which the Corporation has agreed to advance funds to pay costs incurred by the City in connection with the formation of the CFD.

The City has now received Petitions (including Waivers) from the Corporation and from Douglas Park 1-2, LLC (an entity that recently purchased property in Douglas Park from the Corporation) formally requesting that the City initiate proceedings to form a CFD that would include the land entitled for commercial development in Douglas Park, and that the CFD contain two improvement areas designated as Improvement Area A and Improvement Area B. Improvement Area A includes land on the southeastern side of the Douglas Park area (immediately adjacent to the northern boundary of the airport, south of Cover Street and east of Henniman Street) not currently being used by the Corporation and otherwise ready at this time for development. Improvement Area B includes land on the southwestern side of the Douglas Park area (also adjacent to the airport, south of Cover Street and west of Henniman Street) currently in use by the Corporation but that will be developed at a later date. The two Petitions are attached as Exhibit A.

HONORABLE MAYOR AND CITY COUNCIL

January 23, 2007

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The Long Beach Municipal Code, Division V, Chapter 3.52, contains the Long Beach Special Tax Financing Improvement Law, which governs the formation by the City Council of CFDs. On December 21, 1999, the City Council adopted Local Goals and Policies for CFDs related to commercial development (attached as Exhibit B), which law and goals and policies will apply to the formation of the CFD and any bonded indebtedness issued by the City for the CFD. The Special Tax Financing Improvement Law, which is broader than the State's Mello Roos Law, provides a mechanism to form CFDs and to finance public capital facilities and services. Once formed, a CFD can finance facilities and provide services through payment of a special tax levied against the owners of land in the CFD. These special taxes are then used to make bond payments and to pay for certain municipal services. A consecutive City Council letter and resolution discussing the intention to incur tax-exempt bonded indebtedness for the proposed Douglas Park CFD is being submitted on this date under separate cover.

Adoption of the attached Resolution (Exhibit C) will declare the City Council's intention to initiate the CFD formation proceedings and set a public hearing on the proposed CFD for February 20, 2007 at 5:00 p.m. The Resolution describes the proposed boundaries of the two improvement areas, describes the proposed special taxes to be levied on property within those boundaries, indicates the intention of the City Council to issue bonds for the improvement areas payable from the special taxes, provides for a public hearing on the proposed CFD at the City Council meeting on February 20, 2007 and designates the law firm of Quint & Thimmig LLP as bond counsel, the firms of Citigroup and Merrill Lynch & Co. as underwriters, the firm of Koppel & Gruber Public Finance as special tax consultant, and the firm of Fieldman, Rolapp & Associates as financial advisor to the City for the proposed CFD, and authorizes the City Attorney and the City Manager or designee, as applicable, to enter into agreements with said firms for their services related to the CFD. (As stated above, the Corporation has agreed in the Deposit/Reimbursement Agreement approved on January 16, 2007 to pay all costs of the City related to the formation of the CFD. The exhibits to the Resolution describe in general terms the public facilities and maintenance services that would be eligible to be funded by the improvement areas of the CFD, and set forth the rate and method of apportionment of special taxes that would be authorized to be levied on property in the two improvement areas.

Attached as Exhibits A and B to the Resolution is a list of proposed public improvements expected to be funded by the CFD. The CFD would also be authorized to pay the costs of certain street and other maintenance services described in Exhibits A and B to the Resolution. If approved, taxes for the Improvement Areas of the proposed CFD would be levied in accordance with the proposed Rate and Method of Apportionment of Special Tax as specified in Exhibits C and D to the Resolution to pay the debt service on bonds to be issued by the City, the proceeds of which would be used to finance these eligible public improvements, and also to be used to pay annual costs of the maintenance services eligible to be funded by the CFD.

The special tax would be levied each fiscal year in an amount sufficient to pay all annual costs of the CFD, including bond debt service. The special tax may be levied each fiscal year in a maximum amount of \$15,047.00 per acre for fiscal year 2007-2008, subject to

annual inflationary increases as provided in the Rate and Method of Apportionment of Special Taxes for the Improvement Areas.

The use of tax-exempt financing as contemplated by the CFD will be beneficial to the City, the Corporation and landowners in the CFD as it provides for a financing mechanism to construct public improvements. As presented by the Corporation through BRC, the public infrastructure improvements to be funded may include streets, sewer facilities, dry utilities, onsite trench facilities, streetlights and reclaimed water and domestic water improvements. The CFD would not be eligible to finance the costs of school district facilities, storm drain facilities, or impact fees required to be paid pursuant to the Development Agreement between the City and the Corporation. Public improvements required by the Development Agreement to be located in Lakewood, next to the City's Western boundary, will not be financed by the CFD.

This CFD will also be authorized to assess a special tax to pay for a variety of public services including street, landscape and maintenance, and also may include capital outlay equipment and operational costs for fire, police, library and public works services listed in the Douglas Park Fiscal Impact Report prepared by Robert Charles Lesser & Co. This special services tax for services is not subject to bond financing; it is perpetual, includes a Consumer Price Index annual adjustment, and pays for on-going services.

The boundary map for the proposed CFD (Exhibit D) shows two commercial areas totaling about 115.4 net acres, described as Improvement Area A located on the eastside with 67.7 of those net acres, and Improvement Area B located on the Westside with 47.7 net acres. The term "net acres" refers to property to be developed for private use, without including acreage for proposed public improvements such as streets. Dashed lines on the CFD boundary map show the boundaries of these commercial improvement areas. It is expected that in the future the Corporation will request that the City undertake another CFD formation process that would include the portion of Douglas Park, which is intended for residential development, in order to cover costs of the public improvements benefitting only the residential area, and a portion of costs benefitting both residential and commercial properties, but not funded with the commercial CFD, and to provide additional monies for the public services described above.

Immediately following the public hearing called for by the Resolution on February 20, 2007, it is expected that an election will be held at which the landowners in the proposed CFD will vote on the establishment of the CFD and the levy of the special tax. The results of this election would then be announced at the February 20, 2007 City Council meeting.

This item was reviewed by Assistant City Attorney Heather A. Mahood on January 16, 2007 and Budget Management Officer David Wodynski on January 12, 2007.

TIMING CONSIDERATIONS

City Council action on this item is requested on January 23, 2007, to support activities and proceedings for the formation of the CFD.

FISCAL IMPACT

There is no fiscal impact to the City associated with the requested action. All bond proceeds and CFD revenue will be collected in, and expended from CFD trust accounts.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

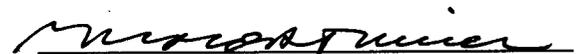


PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

MAK:DN:EC
T:\COUNCIL LETTER\CL2007-1 DOUGLAS PARK-COMMERCIAL_ROI FORMATION.DOC

ATTACHMENTS

APPROVED:



GERALD R. MILLER
CITY MANAGER

PETITION
(Including Waivers)

**To Create a Community Facilities District and
With Respect to Related Matters**

To the City Council
City of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802

Dear Councilmembers:

This is a petition to create a community facilities district, and with respect to related matters, under Sections 3.52.511 and following of the Long Beach Municipal Code (the "Act"), and the undersigned hereby states as follows:

1. Petitioners. This petition is submitted by the entity identified below as the owner of all of the parcels of land identified below (the "Land"). By submitting this petition, we warrant to the City Council of the City of Long Beach (the "City") we are the owner of the Land and are authorized to execute this petition.

2. Proceedings Requested. Petitioner hereby asks that the City Council of the City undertake proceedings under the Act to create a community facilities district to be designated "City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area)" (the "CFD"), and within the CFD two improvement areas to be designated "Improvement Area A" ("Area A"), and "Improvement Area B" ("Area B"). Petitioner acknowledges that the proceedings for the CFD will authorize the levy special taxes in each improvement area of the CFD in an initial amount (for fiscal year 2007-2008) for each improvement area not in excess of \$15,047.00 per acre, and will authorize special tax bonds for each improvement area of the CFD in an amount of not to exceed \$16,000,000 for Area A, and \$13,500,000 for Area B. Petitioner understands that Special Taxes will, in any event, be levied in the improvement areas in accordance with the respective Rate and Method of Apportionment of Special Taxes for each improvement area approved by the City Council of the City in connection with the proceedings to form the CFD.

3. Boundaries of CFD. Petitioner hereby asks that the territory within the boundaries of the CFD include the Land.

4. Purpose of CFD. Petitioner hereby asks that the improvement areas of the CFD be created, the special taxes be levied within the improvement areas and the bonds be issued to finance costs of the public improvements and municipal services identified on Exhibit A hereto and to finance the costs of issuing the special tax bonds.

5. Election. Petitioner hereby asks that the special election to be held under the Act to authorize the special taxes and the issuance of the bonds and to establish an appropriations limit for each improvement area of the CFD be consolidated into a single election and that the election be conducted by the City and its officials, using mailed or hand-delivered ballots and that such ballots be opened and canvassed and the results certified at the same meeting of the City Council of the City as the public hearings on the CFD under the Act or as soon thereafter as possible.

6. Waivers. To expedite the completion of the proceedings for the CFD and the improvement areas to be established therein, all notices of hearings (other than published notices required under the Act) and all notices of election, applicable waiting periods under the Act for the election and all ballot analysis and arguments for the election are hereby waived. We also waive any requirement as to the specific form of the ballot to be used for the election, whether under the California Elections Code or otherwise.

This petition is dated January 11, 2007.

The property that is the subject of this Petition is identified as follows:

Improvement Area A:

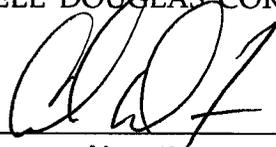
All of the land indicated on the map attached hereto as Exhibit B to be included in Improvement Area A, other than lots 11 through 21 as indicated on the map for Tract No. 61252-1 recorded as instrument no. 06-2815732 in the Los Angeles County Recorder's Office.

Improvement Area B:

All of the land indicated on the map attached hereto as Exhibit B to be included in Improvement Area B.

The name of the owner of record of such property and the Petitioner is:

McDONNELL DOUGLAS CORPORATION

By: 
Name: Alan E. DeFrancis
Title: Authorized Signatory
Date: 1/11/07

By: _____
Name: _____
Title: _____
Date: _____

Address of Petitioner for notices and for ballot:

Boeing Realty Corporation
4501 E. Conant Street, Building 851
M/C D851 0097
Long Beach, CA 90808
Attn: Stephane M. Wandel,
Senior Real Estate Manager

EXHIBIT A

DESCRIPTION OF FACILITIES AND SERVICES ELIGIBLE TO BE FUNDED BY EACH IMPROVEMENT AREA OF THE CFD

FACILITIES

It is intended that each of the Improvement Areas of the CFD will be eligible to finance all or a portion of the costs of the following:

- Sanitary sewer system improvements – the construction of sewer facilities and related appurtenances, including but not limited to gravity pipelines and manholes, to serve the area within and in the vicinity of the CFD or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the CFD.
- Water system and reclaimed water system improvements – the construction of water facilities and related improvements, including but not limited to pipelines, connections to existing mains in Carson Street and Lakewood Boulevard, valves, blow-offs and fire hydrants, to serve the area within and in the vicinity of the CFD or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the CFD.
- Roadway improvements – the construction of streets, including related or adjacent medians, curbs, gutters, sidewalks and alleyways, street and traffic signs and signals, bike trails and wheel chair ramps, to serve the area within and in the vicinity of the CFD or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the CFD.
- Traffic signalization improvements – including the installation of traffic signals and related improvements at intersections within and in the vicinity of the CFD or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the CFD.
- Dry utilities – the construction of various dry utility facilities (electric, gas, telephone, cable, etc.) and joint trenches for such facilities, within and in the vicinity of the CFD.
- Street lights – the installation of street lights and appurtenances within and in the vicinity of the CFD, or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the CFD.
- Landscaping and irrigation improvements – landscaping improvements for parkways, street medians and adjacent areas, and for parks and bicycle paths within and in the vicinity of the CFD, or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the CFD.
- Transportation system improvements described in Exhibit F to the Douglas Park Development between the City and Mc Donnell Douglas Corporation, recorded on June 2, 2005 as document number 05-1290603 in the Los Angeles County Recorder's Office.

The Facilities shall include the costs of design, engineering and planning, the costs of

any environmental or other studies, surveys or reports, the cost of any required environmental mitigation, soils testing, permits, plan check and inspection fees, insurance, legal and related overhead costs, coordination and supervision and any other costs or appurtenances related to any of the foregoing.

SERVICES

It is intended that each of the Improvement Areas of the CFD will be eligible to finance all or a portion of the costs of the following: repair, maintenance and replacement, as applicable, of streets, sidewalks, landscaping along streets, in medians and in other public parks and areas, traffic signs and signals, street lights and street signage. The CFD may fund any of the following related to the services described in the preceding sentence: obtaining, constructing, furnishing, operating and maintaining equipment, apparatus or facilities, providing for revenues for capital replacement costs, paying the salaries and benefits of personnel (including but not limited to maintenance workers, patrol guards and other personnel), and for payment of other related expenses (including but not limited to employee benefit expenses and an allocation of general overhead expenses). Any services to be funded by the CFD will be in addition to those provided in the territory of the CFD before the date of creation of the CFD, and will not supplant services already available within that territory when the CFD is created.

OTHER

Each Improvement Area of the CFD may also finance any of the following:

1. Bond related expenses, including underwriters discount, appraisal and absorption study costs, reserve fund, capitalized interest, financial advisor, special tax consultant, bond counsel and underwriters' counsel fees and expenses, landowner counsel fees and expenses, official statement printing, and all other incidental expenses.
2. Administrative fees of the City and the Bond trustee or fiscal agent related to the respective improvement area of the CFD and the Bonds.
3. Reimbursement of costs related to the formation of the CFD advanced by the City, any landowner in the CFD, or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, any landowner in the CFD or any party related to any of the foregoing, for facilities, services, fees or other purposes or costs of the CFD.

**MAP OF PROPOSED BOUNDARIES
CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)**

CITY OF LONG BEACH
COUNTY OF LOS ANGELES
STATE OF CALIFORNIA

FILED IN THE OFFICE OF THE CITY CLERK THIS _____ DAY OF _____, 2007.

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF CITY OF LONG BEACH COMMUNITY FACILITIES DISTRICT NO. 2007-1 (DOUGLAS PARK - COMMERCIAL AREA), CITY OF LONG BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF LONG BEACH AT A REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2007, BY ITS RESOLUTION NO. _____.

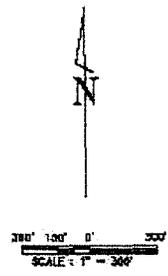
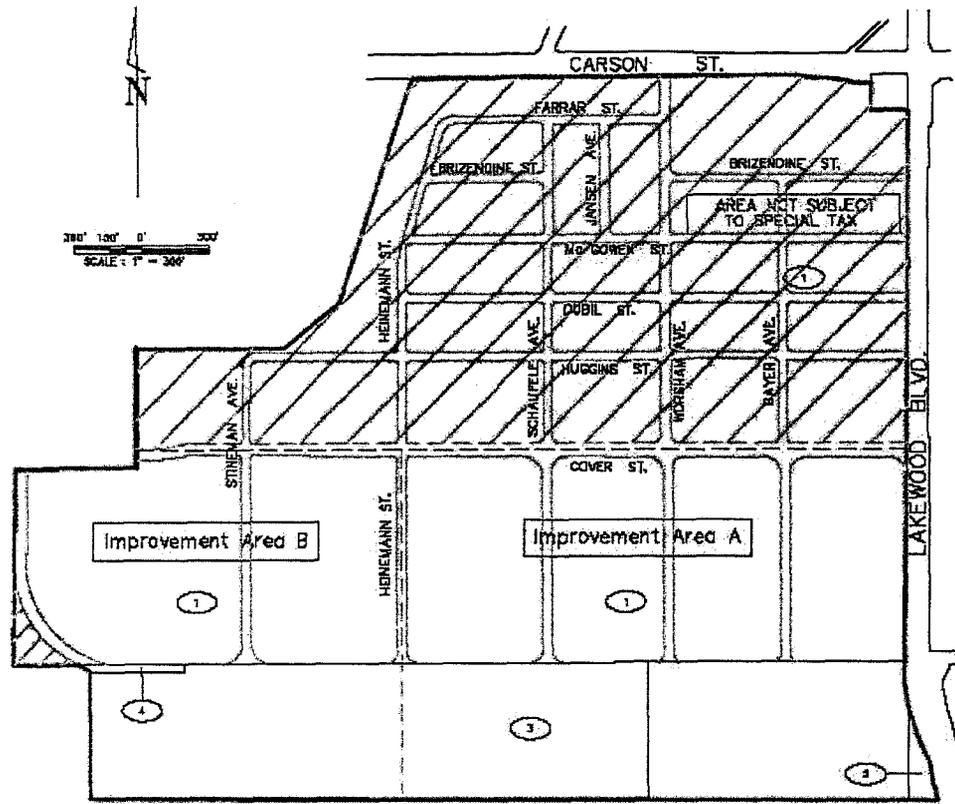
LARRY HOFFNER
CITY CLERK
CITY OF LONG BEACH

FILED THIS _____ DAY OF _____, 2007, AT THE HOUR OF _____ O'CLOCK _____ M. IN THE BOOK _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS, PAGE _____ AND AS INSTRUMENT NO. _____ IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.

DOAN B. MOOREHEAD
COUNTY RECORDER
COUNTY OF LOS ANGELES
STATE OF CALIFORNIA

THE LINES AND DIMENSIONS OF EACH LOT OR PARCEL SHOWN ON THIS DIAGRAM SHALL BE THOSE LINES AND DIMENSIONS AS SHOWN ON THE LOS ANGELES COUNTY ASSESSOR'S MAPS FOR THOSE PARCELS LISTED.

THE LOS ANGELES COUNTY ASSESSOR'S MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH LOTS OR PARCELS.



- LEGEND**
- CFO BOUNDARY
 - IMPROVEMENT AREA BOUNDARY
 - MAP REFERENCE NUMBER
 - AREA NOT SUBJECTED TO SPECIAL TAX

KOPPEL & GRUBER
PLANNERS & ARCHITECTS

224 The West Coast
Suite 204
San Marcos, California 92078
Phone (760) 660-0850 Fax (760) 660-8888

MAP REF. NO.	ASSESSOR'S PARCEL NO.
1	7148-001-015
2	7148-003-001
3	7148-003-008
4	7148-003-010

B-1

EXHIBIT B

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(Including Waivers)

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5. Election. Petitioner hereby asks that the special election to be held under the Act to authorize the special taxes and the issuance of the bonds and to establish an appropriations limit for each improvement area of the CFD be consolidated into a single election and that the election be conducted by the City and its officials, using mailed or hand-delivered ballots and that such ballots be opened and canvassed and the results certified at the same meeting of the City Council of the City as the public hearings on the CFD under the Act or as soon thereafter as possible.

6. Waivers. To expedite the completion of the proceedings for the CFD and the improvement areas to be established therein, all notices of hearings (other than published notices required under the Act) and all notices of election, applicable waiting periods under the Act for the election and all ballot analysis and arguments for the election are hereby waived. We also waive any requirement as to the specific form of the ballot to be used for the election, whether under the California Elections Code or otherwise.

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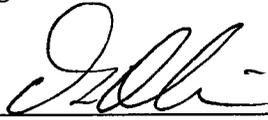
None

The name of the owner of record of such property and the Petitioner is:

DOUGLAS PARK 1-2, LLC,
a Delaware limited liability company,

By: CALSMART L.L.C., a Delaware limited liability company solely with respect to its Series E,
Its: Managing Member

By: RREEF AMERICA L.L.C.,
a Delaware limited liability company,
Its: Manager

By: 
Name: DWIGHT L. MERRIMAN
Its: AUTHORIZED REPRESENTATIVE

Address of Petitioner for notices and for ballot:

Douglas Park 1-2, LLC
c/o RREEF
101 California Street, 26th Floor
San Francisco, CA 94111
Attn: Ashley Powell, Director

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- Dry utilities – the construction of various dry utility facilities (electric, gas, telephone, cable, etc.) and joint trenches for such facilities, within and in the vicinity of the CFD.
- Street lights – the installation of street lights and appurtenances within and in the vicinity of the CFD, or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the CFD.
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It is intended that each of the Improvement Areas of the CFD will be eligible to finance all or a portion of the costs of the following: repair, maintenance and replacement, as applicable, of streets, sidewalks, landscaping along streets, in medians and in other public parks and areas, traffic signs and signals, street lights and street signage. The CFD may fund any of the following related to the services described in the preceding sentence: obtaining, constructing, furnishing, operating and maintaining equipment, apparatus or facilities, providing for revenues for capital replacement costs, paying the salaries and benefits of personnel (including but not limited to maintenance workers, patrol guards and other personnel), and for payment of other related expenses (including but not limited to employee benefit expenses and an allocation of general overhead expenses). Any services to be funded by the CFD will be in addition to those provided in the territory of the CFD before the date of creation of the CFD, and will not supplant services already available within that territory when the CFD is created.

OTHER

Each Improvement Area of the CFD may also finance any of the following:

1. Bond related expenses, including underwriters discount, appraisal and absorption study costs, reserve fund, capitalized interest, financial advisor, special tax consultant, bond counsel and underwriters' counsel fees and expenses, landowner counsel fees and expenses, official statement printing, and all other incidental expenses.
2. Administrative fees of the City and the Bond trustee or fiscal agent related to the respective improvement area of the CFD and the Bonds.
3. Reimbursement of costs related to the formation of the CFD advanced by the City, any landowner in the CFD, or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, any landowner in the CFD or any party related to any of the foregoing, for facilities, services, fees or other purposes or costs of the CFD.

CITY OF LONG BEACH

LOCAL GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS RELATED TO COMMERCIAL DEVELOPMENT (Adopted December 21, 1999)

I. INTRODUCTION. Section 53312.7(a) of the California Government Code requires that the City consider and adopt local goals and policies concerning the use of the Mello-Roos Community Facilities Act of 1982 (the "Act"), prior to the initiation of proceedings on or after January 1, 1994 to establish a new community facilities district ("CFD") under the Act. The following goals and policies are intended to apply solely to community facilities districts related to commercial development, and are intended to meet the minimum requirements of the Act. These local goals and policies may be amended or supplemented by resolution of the City Council at any time.

II. GOALS. The City will consider the use of the Act for financing of public facilities and services only in connection with development projects which are the subject of a written development agreement with the City, an owner participation agreement with the Redevelopment Agency of the City of Long Beach (the "Agency"), or are otherwise incident to development or redevelopment of a commercial area of the City. Any request for a CFD which is not integral to such a commercial development project will be considered on a case by case basis.

The City shall make the determination as to whether a proposed district shall proceed under the provisions of the California assessment laws or the Act. The City may confer with consultants and the applicant to learn of any unique CFD requirements such as facilities serving the regional area prior to making any final determination.

III. ELIGIBLE PUBLIC FACILITIES AND SERVICES. The improvements eligible to be financed by a CFD must be owned by a public agency or public utility, and must have a useful life of at least five (5) years, except that up to five percent of the proceeds of an issue may be used for facilities owned and operated by a privately-owned public utility. The development or redevelopment proposed within a CFD must be consistent with the City's general plan and must have received any required legislative and environmental approvals such as zoning, CEQA or specific plan approvals. A CFD shall not vest any rights to future land use on any properties, including those which are responsible for paying special taxes.

The list of eligible public facilities include, but are not limited to, the following:

- Streets
- Street lighting
- Traffic signals and safety lighting
- Landscaping on public property or in public easements
- Sanitary sewer facilities
- Storm drain facilities
- Public parking structures or surface lots
- Flood control facilities
- Potable and reclaimed water facilities
- Parks and recreational facilities
- Child care facilities
- Public utilities
- Cultural facilities
- Police and fire protection facilities
- Governmental facilities
- Fire Suppression

The funding of public facilities to be owned and operated by public agencies other than the City shall be considered on a case-by-case basis. If the proposed financing is consistent with a public facilities financing plan approved by the City, or the proposed facilities are otherwise consistent with approved land use plans for the property, the City shall consider entering into a joint financing agreement or joint powers authority in order to finance these facilities. A joint agreement with the public agency that will own and operate any such facility must be entered into prior to the resolution of formation of any CFD.

CFDs may also be formed for the purpose of refinancing any fixed special assessment or other governmental lien on property, to the extent permitted under the Act.

The City will consider on a case-by-case basis CFDs established for the provisions of services eligible to be funded under the Act. Eligible services are as specified in the Act.

IV. PRIORITIES FOR CFD FINANCING. Priority for CFD financing shall be given to public facilities which: (a) are necessary for development to proceed in an orderly fashion, or (b) are otherwise coordinated to correspond to the phasing of the related private development project. If appropriate, the City shall prepare a public facilities financing plan as a part of the specific plan or other land use document that identifies the public facilities required to serve a project, and the type of financing to be utilized for each facility. The City will attempt to schedule construction of CFD financed facilities in a manner such that private development will not occur ahead of the installation of public infrastructure necessary to support that development.

V. CREDIT QUALITY REQUIREMENTS FOR CFD BOND ISSUES. All CFD bond issues should have at least a three to one property value to public lien ratio after calculating the value of the financed public improvements to be installed, unless otherwise specifically approved by the City Council as provided in Section 53345.8(b) or (c) of the Act. Property value may be based on either an appraisal or on assessed values as indicated on the county assessor's tax roll. The appraiser shall be selected by or otherwise acceptable to the City, and the appraisal shall be based on standards promulgated by the State of California and otherwise determined applicable by City staff and consultants. The appraisal must be dated within nine months of the date the bonds are issued. The public lien amount shall include the bond issue currently being sold plus any public indebtedness secured by a lien on real property currently existing against the properties to be taxed.

The City will require that all major land use approvals and governmental permits necessary for development be substantially in place relative to any such CFD, before bonds may be issued.

In most cases, a reserve fund equal to the lesser of (i) ten percent of the original proceeds of the bond issue, (ii) the maximum annual debt service on the bonds, or (iii) one hundred twenty-five percent of the average annual debt service on the bonds will be required for all bond issues for CFDs where less than fifty percent of the buildable acreage has been developed. A smaller reserve fund may be required by the City for bond issues in CFDs where over fifty percent of the buildable acreage has been developed, or where the bond issue is to refinance existing assessment or special tax liens.

Less than a three to one property value to public lien ratio, excessive tax delinquencies, or projects of poor economic viability may cause the City to disallow the sale of bonds or require credit enhancement prior to bond sale. The City may consider exceptions to the above policies for bond issues that do not represent an unusual credit risk, either due to credit enhancement

or other reasons specified by the City, and/or which otherwise provide extraordinary public benefits, to the extent permitted by and subject to any applicable requirements of the Act.

If the City requires letters of credit or other security, the credit enhancement shall be issued by an institution, in a form and upon terms and conditions satisfactory to the City. Any security required to be provided by the applicant may be discharged by the City upon the opinion of a qualified appraiser, retained by the City, that a value-to-lien ratio of three to one has been attained or based upon other criteria (such as diversity in ownership or status of lease-up) specified by the City.

As an alternative to providing other security, the applicant may request that a portion of the bond proceeds be placed in escrow with a trustee or fiscal agent in an amount sufficient to assure a value-to-lien ratio of at least three to one on the outstanding proceeds. The proceeds shall be released at such times and in such amounts as may be necessary to assure a value-to-lien ratio of at least three to one on the aggregate outstanding bond proceeds and other indebtedness secured by real property liens as required, or upon the provision of other security for the Bonds (such as a letter of credit).

VI. DISCLOSURE REQUIREMENTS FOR PROSPECTIVE PROPERTY PURCHASERS.

A. Disclosure Requirements for Developers. Developers who are selling lots, parcels or leasehold interests therein that are within a CFD and subject to special tax levies of the CFD shall provide disclosure notice to prospective purchasers (or lessees, as applicable) that complies with all of the requirements of Section 53341.5 of the Government Code. The disclosure notice must be provided to prospective purchasers of property (or lessees, as applicable) at or prior to the time the contract or deposit receipt for the purchase (or lease) of property is executed. Developers shall keep an executed copy of each disclosure document as evidence that disclosure has been provided to all purchasers (or lessees, as applicable) of property within a CFD.

B. Disclosure Requirements for the Resale of Lots. The City Treasurer shall provide a notice of special taxes to sellers of property (other than developers) which will enable them to comply with their notice requirements under Section 1102.6 of the Civil Code. This notice shall be provided by the City within five working days of receiving a written request for the notice. A reasonable fee may be charged for providing the notice, not to exceed any maximum fee specified in the Act.

C. Compliance With Federal Securities Laws. The City shall use all reasonable means to ensure compliance with applicable federal securities laws in connection with the issuance of debt and the provision of annual information regarding any CFD established by the City with respect to which bonds have been issued, including requiring any developer in a CFD who is material to the bond issue to transmit appropriate information to the City or its designee for disclosure to bond investors.

VII. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES.

Special tax formulas for CFDs shall provide for minimum special tax levels which satisfy the following expenses of a CFD: (a) debt service coverage for all CFD bonded indebtedness, (b) the administrative expenses of the CFD, and (c) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on bonds of the CFD. Additionally, the special tax formula may provide for the following: (a) any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD, (b) the accumulation of funds reasonably required for future debt service, (c) amounts

equal to reasonably projected delinquencies of special tax payments, (d) the costs of remarketing, credit enhancement and liquidity facility fees, (e) the cost of acquisition, construction, furnishing or equipping of facilities, (f) lease payments for existing or future facilities, (g) costs associated with the release of funds from an escrow account, and (h) any other costs or payments permitted by law.

The special tax formula shall be reasonable in allocating public facilities' costs to parcels within the CFD. Exemptions from the special tax may be given to parcels which are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness.

The total projected property tax levels for any CFD shall not exceed any maximum specified in the Act. The annual increase, if any, in the maximum special tax for any parcel shall not exceed any maximum specified in the Act. The increase in the special tax levied on any parcel as a consequence of delinquency or default by the owner of any other parcel shall not exceed any maximum specified in the Act.

Special taxes will only be levied on an entire County Assessor's parcel, and any allocation of special tax liability of a County Assessor's parcel to leasehold or possessory interest in the fee ownership of such County Assessor's parcel shall be the responsibility of the lessee or owner of the possessory interest. Failure of the owner of any County Assessor's parcel (or an interest therein) to pay or cause to be paid any special taxes in full when due, shall subject the entire parcel (or such interest as to which the levy has been made) to foreclosure in accordance with the Act.

The City may retain a special tax consultant to prepare a report which: (a) recommends a special tax for the proposed CFD, and (b) evaluates the special tax proposed to determine its ability to adequately fund identified public facilities, City administrative costs, services (if applicable) and other related expenditures. Such analysis shall also address the resulting aggregate tax burden of all proposed special taxes plus existing special taxes, ad valorem taxes and assessments on the properties within the CFD.

VIII. APPRAISALS. The definitions, standards and assumptions to be used for appraisals shall be determined by City staff on a case-by-case basis, with input from City consultants and CFD applicants, and by reference to relevant materials and information promulgated by the State of California. In any event, the value-to-lien ratio shall be determined based upon an appraisal by an independent MAI or ASA appraiser of the proposed CFD. The appraisal shall be coordinated by and under the direction of, or otherwise as acceptable to, the City.

IX. TERMS AND CONDITIONS OF BONDS. All terms and conditions of the bonds shall be established by the City. The City will control, manage and invest all bond proceeds. Each bond issue shall be structured to adequately protect bond owners and to not negatively impact the bonding capacity or credit rating of the City through the special taxes, credit enhancements, foreclosure covenant and reserve funds.

All statements and material related to the sale of bonds shall emphasize and state that neither the faith, credit nor the taxing power of the City is pledged to security or repayment of the Bonds. The sole source of pledged revenues to repay CFD bonds are special taxes, bond proceeds and reserve funds held under the bond document, and the proceeds of foreclosure

proceedings and additional security instruments or pledges expressly provided at the time of bond issuance.

X. CFD COST DEPOSITS AND REIMBURSEMENTS. All City and consultant costs incurred in the evaluation of CFD applications and the establishment of CFDs will be paid by the entity, if any, requesting the establishment of the CFD by advance deposit increments, except in the case of a CFD required to be formed under a disposition and development agreement to which the City is a party.

XI. USE OF CONSULTANTS. The City shall select all consultants necessary for the formation of the CFD and the issuance of bonds, including the underwriter(s), bond counsel, financial advisors, appraiser and the special tax consultant. Prior consent of the applicant shall not be required in the determination by the City of the consulting and financing team.

XII. EXCEPTIONS TO THESE POLICIES. The City may find that a waiver to any of the above stated policies is reasonable given identified benefits to be derived from such waiver. Such waivers only will be granted by action of the City Council.

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF LONG BEACH DECLARING INTENTION TO
ESTABLISH A COMMUNITY FACILITIES DISTRICT AND
TO AUTHORIZE THE LEVY OF SPECIAL TAXES
THEREIN – DOUGLAS PARK COMMERCIAL AREA

WHEREAS, under the Long Beach Special Tax Financing Improvement
Law, constituting Section 3.52.511 et seq. of the Long Beach Municipal Code (the
“Law”), this City Council may commence proceedings for the establishment of a
community facilities district; and

WHEREAS, on December 21, 1999, this City Council adopted Resolution
No. C-27626 adopting local goals and policies for community facilities districts related to
commercial development (the “Goals and Policies”); and

WHEREAS, there has been submitted to this City Council Petitions
(Including Waivers) (collectively, the “Petitions”) of the owners of land entitled for
commercial development in the Douglas Park area of the City of Long Beach (the
“City”), requesting the formation by this City Council of a community facilities district
under the Law to be known as the City of Long Beach Community Facilities District No.
2007-1 (Douglas Park – Commercial Area) (the “District”); and

WHEREAS, under the Law, this City Council is the legislative body for the
proposed District and is empowered with the authority to establish the District and levy
special taxes within the District; and

WHEREAS, this City Council now desires to proceed with the actions
necessary to consider the establishment of the District;

NOW, THEREFORE, the City Council of the City of Long Beach resolves
as follows:

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1 Section 1. This City Council proposes to begin the proceedings
2 necessary to establish the District pursuant to the Law. Receipt of the Petitions to form
3 the District is hereby acknowledged. Formation of the District shall be subject to the
4 Goals and Policies, unless specifically waived by this City Council in the proceedings to
5 form the District.

6 Sec. 2. The name proposed for the District is City of Long Beach
7 Community Facilities District No. 2007-1 (Douglas Park – Commercial Area). Pursuant
8 to Section 3.52.565 of the Law, the City Council hereby designates a portion of the
9 District as Improvement Area A of the City of Long Beach Community Facilities District
10 No. 2007-1 (Douglas Park – Commercial Area) (“Area A”), and a portion of the District
11 as Improvement Area B of the City of Long Beach Community Facilities District No.
12 2007-1 (Douglas Park – Commercial Area) (“Area B”).

13 Sec. 3. The proposed boundaries of Area A and Area B of the
14 District are as shown on the map of the District on file with the City Clerk, which
15 boundaries are hereby preliminarily approved. The City Clerk is hereby directed to
16 record, or cause to be recorded, the map of the boundaries of the District in the office of
17 the Los Angeles County Recorder as soon as practicable after the adoption of this
18 Resolution.

19 Sec. 4. The types of public facilities and services proposed to be
20 eligible for funding by Area A of the District and pursuant to the Law shall consist of
21 those items listed on Exhibit A hereto under the heading “Facilities” (the “Area A
22 Facilities”) and under the heading “Services” (the “Area A Services”), respectively,
23 which Exhibit is by this reference incorporated herein. The type of public facilities and
24 services proposed to be funded by Area B of the District and pursuant to the Law shall
25 consist of those items listed on Exhibit B hereto under the heading “Facilities” (the
26 “Area B Facilities”) and under the heading “Services” (the “Area B Services”),
27 respectively, which Exhibit is by this reference incorporated herein.

28 ////

1 Sec. 5. Except to the extent that funds are otherwise available to
2 Area A of the District to pay costs of the Area A Facilities, to pay the principal and
3 interest as it becomes due on bonds of Area A of the District issued to pay costs of the
4 Area A Facilities and/or to pay for the Area A Services, a special tax sufficient to pay
5 the costs thereof, secured by recordation of a continuing lien against all non-exempt
6 real property in Area A of the District, will be levied annually within Area A of the District
7 and collected in the same manner as ordinary ad valorem property taxes or in such
8 other manner as this City Council or its designee shall determine, including direct billing
9 of the affected property owners. The proposed rate and method of apportionment of
10 the special tax among the parcels of real property within Area A of the District, in
11 sufficient detail to allow each landowner within the proposed Area A of the District to
12 estimate the maximum amount such owner will have to pay and which otherwise
13 complies with applicable provisions of the Law is described in Exhibit C attached hereto
14 which Exhibit is by this reference incorporated herein.

15 Except to the extent that funds are otherwise available to Area B of the
16 District to pay costs of the Area B Facilities, to pay the principal and interest as it
17 becomes due on bonds of Area B of the District issued to pay costs of the Area B
18 Facilities and/or to pay for the Area B Services, a special tax sufficient to pay the costs
19 thereof, secured by recordation of a continuing lien against all non-exempt real property
20 in Area B of the District, will be levied annually within Area B of the District and
21 collected in the same manner as ordinary ad valorem property taxes or in such other
22 manner as this City Council or its designee shall determine, including direct billing of the
23 affected property owners. The proposed rate and method of apportionment of the
24 special tax among the parcels of real property within Area B of the District, in sufficient
25 detail to allow each landowner within the proposed Area B of the District to estimate the
26 maximum amount such owner will have to pay and which otherwise complies with
27 applicable provisions of the Law is described in Exhibit D attached hereto which Exhibit
28 is by this reference incorporated herein.

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1 Sec. 6. It is the intention of this City Council, acting as the legislative
2 body for Area A of the District, to cause bonds of the City to be issued for Area A of the
3 District pursuant to the Law to finance costs of the Area A Facilities. If so issued, the
4 bonds shall be in the aggregate principal amount of not to exceed \$16,000,000, shall
5 bear interest payable semi-annually or in such other manner as this City Council shall
6 determine, at a rate not to exceed the maximum rate of interest as may be authorized
7 by applicable law at the time of sale of such bonds, and shall mature not to exceed 50
8 years from the date of the issuance thereof.

9 It is the intention of this City Council, acting as the legislative body for
10 Area B of the District, to cause one or more series of bonds of the City to be issued for
11 Area B of the District pursuant to the Law to finance the Area B Facilities. If so issued,
12 the bonds shall be in the aggregate principal amount of not to exceed \$13,500,000,
13 shall bear interest payable semi-annually or in such other manner as this City Council
14 shall determine, at a rate not to exceed the maximum rate of interest as may be
15 authorized by applicable law at the time of sale of such bonds, and shall mature not to
16 exceed 50 years from the date of the issuance thereof.

17 Sec. 7. The levy of said proposed special tax in each improvement
18 area of the District shall be subject to the approval of the qualified electors of such
19 improvement area at a special election. The proposed voting procedure shall be by
20 mailed or hand-delivered ballot among the landowners in the proposed improvement
21 area of the District, with each owner having one vote for each acre or portion of an acre
22 of land such owner owns in the respective improvement area of the District.

23 Sec. 8. Except as may otherwise be provided by law or the rate and
24 method of apportionment of the special tax for the respective improvement area of the
25 District, all lands owned by any public entity, including the United States, the State of
26 California and/or the City, or any departments or political subdivisions of any thereof,
27 shall be omitted from the levy of the special tax to be made to cover the costs and
28 expenses of the Facilities for such improvement area, the issuance of bonds by the City

1 for such improvement area and any expenses of the District for such improvement
2 area.

3 Sec. 9. The Director of Financial Management of the City is hereby
4 directed to study the proposed Facilities for each improvement area of the District and
5 to make, or cause to be made, and file with the City Clerk a report in writing, presenting
6 the following:

7 (a) A brief description of the Facilities and Services proposed to be
8 eligible to be financed by each improvement area of the District.

9 (b) An estimate of the cost of providing the Facilities and Services for
10 each improvement area of the District, including the costs of the proposed bond
11 financing and any City administrative costs.

12 Said report shall be made a part of the record of the public hearing
13 provided for below.

14 Sec. 10. Tuesday, February 20, 2007, at 5:00 p.m. or as soon
15 thereafter as the matter may be heard, in the regular meeting place of this City Council,
16 City Council Chambers, City Hall, 333 West Ocean Boulevard, Long Beach, California,
17 be, and the same are hereby appointed and fixed as the time and place when and
18 where this City Council, as legislative body for the District, will conduct a public hearing
19 on the establishment of each improvement area of the District and consider and finally
20 determine whether the public interest, convenience and necessity require the formation
21 of each improvement area of the District and the levy of said special tax within each
22 respective improvement area.

23 Sec. 11. The City may accept advances of funds or work in-kind from
24 any owner of property in the District, and may use those funds or that work in-kind for
25 any authorized purpose of the District, as contemplated by Section 3.52.5110 of the
26 Law. The District may repay any funds so advanced or the value or cost of the work in-
27 kind, subject to the requirements of Section 3.52.5110, on such terms and under such
28 conditions as this City Council, acting as legislative body of the District, may establish.

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1 Sec. 12. The law firm of Quint & Thimmig LLP is hereby designated
2 as Bond Counsel to the City for the District. The City Attorney is hereby authorized to
3 execute an agreement with said firm for its services related to the District, in a form
4 acceptable to the City Attorney.

5 Sec. 13. The firms of Citigroup and Merrill Lynch & Co. are hereby
6 designated as underwriters to the City for any bonds to be issued for either
7 improvement area of the District.

8 Sec. 14. The firm of Koppel & Gruber Public Finance is hereby
9 designated as Special Tax Consultant to the City for the District, and the firm of
10 Fieldman, Rolapp & Associates is hereby designated as Financial Advisor to the City for
11 the District. The City Manager or his designee is hereby authorized and directed to
12 execute agreements with said firms for their services in connection with the District, in
13 form and substance acceptable to the City Attorney.

14 Sec. 15. The City Clerk is hereby directed to cause notice of the
15 public hearing described in Section 10 above to be given by publication one time in a
16 newspaper published in the area of the District. The publication of said notice shall be
17 completed at least seven days before the date herein set for said hearing. Said notice
18 shall be substantially in the form of Exhibit E hereto.

19 Sec. 16. This resolution shall take effect immediately upon its
20 adoption by the City Council, and the City Clerk shall certify the vote adopting this
21 resolution.

22
23 I hereby certify that the foregoing resolution was adopted by the City
24 Council of the City of Long Beach at its meeting of _____, 2007, by
25 ////
26 ////
27 ////
28 ////

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Long Beach, California 90802-4664
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1 the following vote:

2 Ayes: Councilmembers: _____

3 _____

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6 Noes: Councilmembers: _____

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8 Absent: Councilmembers: _____

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City Clerk

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EXHIBIT A

CITY OF LONG BEACH COMMUNITY FACILITIES DISTRICT NO. 2007-1 (DOUGLAS PARK – COMMERCIAL AREA)

DESCRIPTION OF FACILITIES AND SERVICES ELIGIBLE TO BE FUNDED BY IMPROVEMENT AREA A OF THE DISTRICT

FACILITIES

Improvement Area A of the District shall be eligible to finance all or a portion of the costs of the following:

- Sanitary sewer system improvements – the construction of sewer facilities and related appurtenances, including but not limited to gravity pipelines and manholes, to serve the area within and in the vicinity of the District or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Water system and reclaimed water system improvements – the construction of water facilities and related improvements, including but not limited to pipelines, connections to existing mains in Carson Street and Lakewood Boulevard, valves, blow-offs and fire hydrants, to serve the area within and in the vicinity of the District or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Roadway improvements – the construction of streets, including related or adjacent medians, curbs, gutters, sidewalks and alleyways, street and traffic signs and signals, bike trails and wheel chair ramps, to serve the area within and in the vicinity of the District or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Traffic signalization improvements – including the installation of traffic signals and related improvements at intersections within and in the vicinity of the District or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Dry utilities – the construction of various dry utility facilities (electric, gas, telephone, cable, etc.) and joint trenches for such facilities, within and in the vicinity of the District.
- Street lights – the installation of street lights and appurtenances within and in the vicinity of the District, or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Landscaping and irrigation improvements – landscaping improvements for parkways, street medians and adjacent areas, and for parks and bicycle paths within and in the vicinity of the District, or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Transportation system improvements described in Exhibit F to the Douglas Park Development between the City and Mc Donnell Douglas Corporation, recorded on June 2, 2005 as document number 05-1290603 in the Los Angeles County Recorder's Office.

The Facilities shall include the costs of design, engineering and planning, the costs of any environmental or other studies, surveys or reports, the cost of any required environmental mitigation, soils testing, permits, plan check and inspection fees, insurance, legal and related overhead costs, coordination and supervision and any other costs or appurtenances related to any of the foregoing.

SERVICES

Improvement Area A of the District shall be eligible to finance all or a portion of the costs of the following: repair, maintenance and replacement, as applicable, of streets, sidewalks, landscaping along streets, in medians and in other public parks and areas, traffic signs and signals, street lights and street signage. The District may fund any of the following related to the services described in the preceding sentence: obtaining, constructing, furnishing, operating and maintaining equipment, apparatus or facilities, providing for revenues for capital replacement costs, paying the salaries and benefits of personnel (including but not limited to maintenance workers, patrol guards and other personnel), and for payment of other related expenses (including but not limited to employee benefit expenses and an allocation of general overhead expenses). Any services to be funded by Improvement Area A will be in addition to those provided in the territory of Improvement Area A before the date of creation of Improvement Area A, and will not supplant services already available within that territory when Improvement Area A is created.

OTHER

Improvement Area A of the District may also finance any of the following:

1. Bond related expenses, including underwriters discount, appraisal and absorption study costs, reserve fund, capitalized interest, financial advisor, special tax consultant, bond counsel and underwriters' counsel fees and expenses, landowner counsel fees and expenses, official statement printing, and all other incidental expenses.
2. Administrative fees of the City and the Bond trustee or fiscal agent related to Improvement Area A of the District and the Bonds.
3. Reimbursement of costs related to the formation of the District advanced by the City, any landowner in the District, or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, any landowner in the District or any party related to any of the foregoing, for facilities, services, fees or other purposes or costs of the District.

EXHIBIT B

CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK – COMMERCIAL AREA)

DESCRIPTION OF FACILITIES AND SERVICES ELIGIBLE TO BE FUNDED BY
IMPROVEMENT AREA B OF THE DISTRICT

FACILITIES

Improvement Area B of the District shall be eligible to finance all or a portion of the costs of the following:

- Sanitary sewer system improvements – the construction of sewer facilities and related appurtenances, including but not limited to gravity pipelines and manholes, to serve the area within and in the vicinity of the District or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Water system and reclaimed water system improvements – the construction of water facilities and related improvements, including but not limited to pipelines, connections to existing mains in Carson Street and Lakewood Boulevard, valves, blow-offs and fire hydrants, to serve the area within and in the vicinity of the District or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Roadway improvements – the construction of streets, including related or adjacent medians, curbs, gutters, sidewalks and alleyways, street and traffic signs and signals, bike trails and wheel chair ramps, to serve the area within and in the vicinity of the District or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Traffic signalization improvements – including the installation of traffic signals and related improvements at intersections within and in the vicinity of the District or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Dry utilities – the construction of various dry utility facilities (electric, gas, telephone, cable, etc.) and joint trenches for such facilities, within and in the vicinity of the District.
- Street lights – the installation of street lights and appurtenances within and in the vicinity of the District, or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Landscaping and irrigation improvements – landscaping improvements for parkways, street medians and adjacent areas, and for parks and bicycle paths within and in the vicinity of the District, or as otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.
- Transportation system improvements described in Exhibit F to the Douglas Park Development between the City and Mc Donnell Douglas Corporation, recorded on June 2, 2005 as document number 05-1290603 in the Los Angeles County Recorder's Office.

The Facilities shall include the costs of design, engineering and planning, the costs of any environmental or other studies, surveys or reports, the cost of any required environmental mitigation, soils testing, permits, plan check and inspection fees, insurance, legal and related overhead costs, coordination and supervision and any other costs or appurtenances related to any of the foregoing.

SERVICES

Improvement Area B of the District shall be eligible to finance all or a portion of the costs of the following: repair, maintenance and replacement, as applicable, of streets, sidewalks, landscaping along streets, in medians and in other public parks and areas, traffic signs and signals, street lights and street signage. The District may fund any of the following related to the services described in the preceding sentence: obtaining, constructing, furnishing, operating and maintaining equipment, apparatus or facilities, providing for revenues for capital replacement costs, paying the salaries and benefits of personnel (including but not limited to maintenance workers, patrol guards and other personnel), and for payment of other related expenses (including but not limited to employee benefit expenses and an allocation of general overhead expenses). Any services to be funded by Improvement Area B will be in addition to those provided in the territory of Improvement Area B before the date of creation of Improvement Area B, and will not supplant services already available within that territory when Improvement Area B is created.

OTHER

Improvement Area B of the District may also finance any of the following:

1. Bond related expenses, including underwriters discount, appraisal and absorption study costs, reserve fund, capitalized interest, financial advisor, special tax consultant, bond counsel and underwriters' counsel fees and expenses, landowner counsel fees and expenses, official statement printing, and all other incidental expenses.
2. Administrative fees of the City and the Bond trustee or fiscal agent related to Improvement Area B of the District and the Bonds.
3. Reimbursement of costs related to the formation of the District advanced by the City, any landowner in the District, or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, any landowner in the District or any party related to any of the foregoing, for facilities, services, fees or other purposes or costs of the District.

EXHIBIT C

RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA A OF THE
CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK – COMMERCIAL AREA)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

An Annual Special Tax shall be levied on all Taxable Property within the boundaries of Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area) (“IA A”) and collected each Fiscal Year commencing in Fiscal Year 2007-2008 according to the tax liability determined through the application of this Rate and Method of Apportionment of Special Taxes to the extent and in the manner herein provided.

1. Definitions

“Acre” or “Acreage” means the land area of an Assessor’s Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, record of survey or other recorded document creating and describing such area of land. The square footage of an Assessor’s Parcel is equal to the Acreage of such parcel multiplied by 43,560 square feet. Notwithstanding the foregoing, “Acre” or “Acreage” shall not include the area of any land subject to an easement in favor of the City for roadways, as determined by the CFD Administrator.

“Act” means the Long Beach Special Tax Financing Improvement Law, as amended, being Sections 3.52.511 et seq. of the Long Beach Municipal Code.

“Administrative Expenses” means the following actual or reasonably estimated costs directly related to the administration of IA A: computing the Annual Special Tax; preparing the Annual Special Tax collection schedules (whether by the City or designee thereof or both); collecting the Special Taxes (whether by the City, the County or otherwise); remitting the Special Taxes to the Trustee; fees and expenses of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, IA A, or any designee thereof complying with federal arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, IA A, or any designee thereof complying with disclosure or reporting requirements associated with applicable federal and State laws or the Act; preparing the Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; costs related to any appeal of the Special Tax; the City’s annual administration fees and any expenses related to IA A or the Bonds, and any other cost or expense of the City related to any of the foregoing. Administrative Expenses shall also include amounts estimated or advanced by the City or IA A for any other administrative purposes of IA A, including attorney’s fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

“Annual Special Tax” means any Special Tax levied within IA A pursuant to the Act and this Rate and Method of Apportionment of Special Taxes for any Fiscal Year.

“Annual Special Tax Requirement for Facilities” means that amount required in any Fiscal Year to: (i) pay Debt Service; (ii) pay periodic costs on the Outstanding Bonds as required by the Indenture, including but not limited to, credit enhancement and rebate payments with respect to any Outstanding Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities, provided that the inclusion of such amount does not cause the Special Tax A to be levied on Undeveloped Property or cause an increase in the Special Tax A to be levied on Undeveloped Property, and (vi) pay for anticipated delinquent Special Tax A based on the delinquency rate for Special Tax A levy in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Annual Special Tax Requirement for Facilities levy, as determined by the CFD Administrator consistent with any applicable provisions of the Indenture.

“Annual Special Tax Requirement for Services” means that amount required in any Fiscal Year to: (i) pay the costs of Services incurred or otherwise payable in the Calendar Year commencing in such Fiscal Year; (ii) fund an operating reserve for the costs of Services as determined by the CFD Administrator; less a credit for funds available to reduce the annual Special Tax B levy as determined by the CFD Administrator.

“Assessor” means the Assessor of the County.

“Assessor's Parcel” means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

“Assessor's Parcel Map” means an official map of the Assessor designating parcels by Assessor's Parcel Number.

“Assessor's Parcel Number” means the number assigned to an Assessor's Parcel by the Assessor for purposes of identification.

“Bonds” means any bonds or other indebtedness of IA A, whether in one or more series, payable from the proceeds of the levy of all or a portion of Special Tax A.

“Calendar Year” means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an official of the City, or designee thereof, responsible for determining the Annual Special Tax Requirement for Facilities, the Annual Special Tax Requirement for Services, and for preparing the Annual Special Tax roll.

“CFD No. 2007-1” means the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area).

“City” means the City of Long Beach, California.

“Consumer Price Index” means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for “All Urban Consumers” in the Los Angeles- Anaheim-Riverside Area, measured as of the month of April in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index that is reasonably comparable to the Consumer Price Index for the City of Los Angeles, as determined by the CFD Administrator.

“Council” means the City Council of the City acting as the legislative body of IA A under the Act.

“County” means the County of Los Angeles, California.

“Debt Service” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Developed Property” means for any respective Fiscal Year, all Taxable Property, exclusive of Property Owner Association Property or Public Property, for which a building permit for new construction was issued after January 1, 2007 and prior to March 1 of the previous Fiscal Year.

“Development Agreement” means the Development Agreement, dated as of December 21, 2004 executed by the City and McDonnell Douglas Corporation (recorded on June 2, 2005 as Document No. 05-1290603 in the Los Angeles County Recorder’s Office) and as amended from time to time.

“Exempt Property” means Assessor’s Parcels designated as being exempt from the Special Tax pursuant to Section 8.

“Fiscal Year” means the period starting on July 1 of any year and ending on June 30 of the following Calendar Year.

“Improvement Area A” or “IA A” means Improvement Area A of CFD No. 2007-1, as identified on the boundary map for CFD No. 2007-1, as in effect on the date of formation of IA A, and as may thereafter be amended in accordance with the Act.

“Indenture” means the indenture, trust agreement, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Maximum Special Tax A” means the Maximum Special Tax A determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Maximum Special Tax B” means the Maximum Special Tax B determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Outstanding Bonds” mean all Bonds that are outstanding under the Indenture.

“Property Owner Association Property” means any Assessor’s Parcel owned in fee by a property owner association, including any master or sub-association.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax A levy to the Maximum Special Tax A is equal for all Assessor’s Parcels of Developed Property for the applicable Fiscal Year and that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is equal for all Assessor’s Parcels of Developed Property for the applicable Fiscal Year. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax A levy per Acre to the Maximum Special Tax A per Acre is equal for all Assessor's Parcels of Undeveloped Property for the applicable Fiscal Year and that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is equal for all Assessor’s Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section 4 below.

“Provisional Taxable Property” means all Assessor’s Parcels of Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the

provisions of Section 8, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 8.

“Public Property” means any property within the boundaries of IA A, which is owned by, or irrevocably offered for dedication to, the federal government, the State, the County, the City or any other public agency.

“Services” means the services eligible to be funded by IA A.

“Special Tax” means any Special Tax A and/or Special Tax B levied within IA A pursuant to the Act and this Rate and Method of Apportionment of Special Taxes.

“Special Tax A” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA A to fund the Annual Special Tax Requirement for Facilities.

“Special Tax B” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA A to fund the Annual Special Tax Requirement for Services.

“Special Tax A Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax A for the period described in Section 7 below.

“State” means the State of California.

“Taxable Property” means all of the Assessor's Parcels within the boundaries of IA A, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 below.

“Trustee” means the trustee or fiscal agent acting in that capacity under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property within the boundaries of IA A not classified as Developed Property or Provisional Taxable Property.

2. **Classification of Property within CFD No. 2007-1**

Each Fiscal Year, beginning with Fiscal Year 2007-2008, the CFD Administrator shall classify each Assessor’s Parcel within the boundaries of IA A as Taxable Property or Exempt Property. Taxable Property within the boundaries of IA A shall be further classified as Developed Property, Provisional Taxable Property or Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment of Special Taxes determined by the CFD Administrator pursuant to Sections 3 and 4 below.

3. **Maximum Special Tax Rates**

A. **Special Tax A (Facilities)**

(i). Developed Property

The Maximum Special Tax A for each Assessor's Parcel classified as Developed Property shall be \$13,530.50 per Acre for Fiscal Year 2007-2008.

(ii) Undeveloped Property and Provisional Taxable Property.

The Maximum Special Tax A for each Assessor's Parcel classified as Undeveloped Property or Provisional Taxable Property shall be \$13,530.50 per Acre for Fiscal Year 2007-2008.

B. Special Tax B (Services)

(i). Developed Property

The Maximum Special Tax B for each Assessor's Parcel classified as Developed Property shall be \$1,516.50 per Acre for Fiscal Year 2007-2008.

(ii). Undeveloped Property

The Maximum Special Tax B for each Assessor's Parcel classified as Undeveloped Property shall be \$1,516.50 per Acre for Fiscal Year 2007-2008.

(iii). Property Owner Association Property and Public Property

No Special Tax B shall be levied on Public Property or Property Owner Association Property, including but not limited to any such property classified as Provisional Taxable Property.

C. Escalation of Special Tax

Special Tax A

On July 1st of each Fiscal Year, commencing July 1, 2008, the Maximum Special Tax A for Developed Property, Undeveloped Property and Provisional Taxable Property shall increase by two-percent (2.0%) of the amount in effect in the prior Fiscal Year.

Special Tax B

On July 1st of each Fiscal Year, commencing July 1, 2008, the Maximum Special Tax B shall be increased by the greater of (i) the most recent annual percentage change in the Consumer Price Index or (ii) two-percent (2%) of the amount in effect in the prior Fiscal Year.

4. Method of Apportionment

A. Special Tax A

For each Fiscal Year the CFD Administrator shall determine the Annual Special Tax Requirement for Facilities and levy Special Tax A, until the amount of Special Tax A equals the Annual Special Tax Requirement for Facilities. The Special Tax A shall be levied each Fiscal Year as follows:

First: The Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the Maximum Special Tax A for Developed Property;

Second: If additional monies are needed to satisfy the Annual Special Tax Requirement for Facilities after the first step has been completed, the Special Tax A shall be levied Proportionately on each

Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax A for Undeveloped Property and;

Third: If additional monies are needed to satisfy the Annual Special Tax Requirement for Facilities after the first two steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Taxable Property at up to 100% of the Maximum Special Tax A for Provisional Taxable Property.

B. Special Tax B

For each Fiscal Year the CFD Administrator shall determine the Annual Special Tax Requirement for Services and levy Special Tax B, until the amount of Special Tax B equals the Special Tax Requirement for Services. The Special Tax B shall be levied each Fiscal Year as follows:

First: The Special Tax B shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the Maximum Special Tax B for Developed Property; and

Second: If additional monies are needed to satisfy the Annual Special Tax Requirement for Services after the first step has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax B for Undeveloped Property.

5. Collection of Special Taxes

Collection of the Annual Special Tax shall be undertaken by the County in the same manner as ordinary ad valorem property taxes are collected and the Annual Special Tax so levied shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the CFD Administrator may provide for (i) other means of collecting the Annual Special Tax, including direct billings thereof to the property owners in which event Special Taxes so levied shall be due and delinquent as provided in any such billing; and (ii) judicial foreclosure of any delinquent Special Taxes.

6. Prepayment of Special Tax A Obligation

The Special Tax A Obligation for any Assessor's Parcel may be prepaid in full and permanently satisfied at anytime, as described herein, provided that a prepayment may be made only if at the time of the prepayment there are no delinquent Special Taxes with respect to such Assessor's Parcel and all other Assessor's Parcels which are under the same ownership and located within IA A. An owner of an Assessor's Parcel intending to prepay the Special Tax A Obligation shall provide the CFD Administrator with written notice of intent to prepay and any fee (as determined by the CFD Administrator) required to calculate the prepayment. Within sixty (60) days of receipt of such written notice and fee payment, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel and the date through which the amount of such prepayment shall be valid. Special Tax B may not be prepaid.

A. Prepayment in Full

The "Prepayment" shall be an amount equal to the sum of (1) Principal, (2) Premium, (3) Defeasance (4) Unfunded Facilities, and (5) Fees, minus the Reserve Fund Credit, where the terms "Principal," "Premium," "Defeasance," "Unfunded Facilities", "Fees," and "Reserve Fund Credit," have the following meanings:

“Principal” means the principal amount of Bonds to be redeemed from the proceeds of such Prepayment and equals the amount derived by dividing; 1. (a) the applicable Maximum Special Tax A for the applicable Assessor's Parcel by (b) the projected aggregate Maximum Special Tax A for all Taxable Property as determined by the CFD Administrator (and excluding from (b) any Special Tax A for Assessor's Parcels which have fully prepaid the Special Tax), and 2. multiplying the quotient calculated in 1. by the principal amount of Outstanding Bonds as of the first interest and/or principal payment date following the then current Fiscal Year.

“Premium” means an amount equal to the Principal multiplied by the applicable redemption premium, if any, for the Bonds to be so redeemed with the proceeds of any such Prepayment, determined by reference to the Indenture.

“Defeasance” means an amount equal to the amount needed to pay interest on the Principal to be redeemed until the earliest redemption date as determined by the CFD Administrator for the Outstanding Bonds less the amount that is estimated by the CFD Administrator to be received from the reinvestment of the difference between the amount of the Prepayment and the Fees. Credit shall also be given for any Special Tax A heretofore paid and which will not be needed for purposes of funding the then current Fiscal Year's Annual Special Tax Requirement for Facilities.

“Fees” equal the fees and expenses of IA A, the Trustee, the CFD Administrator and the City related to the Prepayment and any corresponding redemption of Bonds, including but not limited to any Administration Expenses, publishing fees, and Bond call fees.

“Reserve Fund Credit” shall equal the lesser of (i) the expected reduction in the applicable reserve fund requirement (as determined by reference to the Indenture), if any, following the redemption of Bonds from proceeds of the Prepayment or (ii) the amount derived by subtracting the new reserve fund requirement in effect after the redemption of Bonds from the balance in the reserve fund (as determined by reference to the Indenture) on the prepayment date, but in no event shall such amount be less than zero.

“Unfunded Facilities” means an amount equal to the estimated cost of the unfunded public facilities allocable to the Assessor's Parcel for which the Prepayment is being calculated and is computed by multiplying the quotient calculated when determining Principal by \$13,030,300 less the estimated cost (as determined by the CFD Administrator) of any such facilities financed by previously issued Bonds. Unfunded Facilities shall equal zero following the issuance of all of the Bonds (i.e., all the authorized Bonds have been issued and/or IA A has covenanted not to issue any more Bonds, other than refunding Bonds).

The sum of the amounts calculated in the preceding steps shall be paid to IA A and shall be used to pay and redeem Bonds in accordance with the Indenture and to pay the Fees. Upon receipt of such Prepayment by IA A, the obligation to pay the Special Tax A for such Assessor's Parcel shall be deemed to be permanently satisfied, the Special Tax A shall not be levied thereafter on such Assessor's Parcel, and the CFD Administrator shall cause notice of cancellation of the Special Tax A for such Assessor's Parcel to be recorded.

Notwithstanding the foregoing, no prepayment shall be allowed unless the amount of Special Tax A that may be levied pursuant to this Rate and Method of Apportionment of Special Taxes after the proposed prepayment is at least the sum of (i) the estimated Administrative Expenses, based on the average annual

Administrative Expenses to date, and (ii) one hundred ten percent (110%) of the maximum annual Debt Service for the Bonds, taking into account the Bonds to remain outstanding after such prepayment.

B. Prepayment in Part

The Special Tax A on an Assessor's Parcel of Developed Property or Undeveloped Property for which building permits have been issued may be partially prepaid. The Prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E \cdot A) \times F + A.$$

These terms have the following meanings:

- PP = the partial prepayment
- P_E = the Prepayment calculated according to Section 6.A.
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax A.
- A = the Fees from Section 6.A.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax A, (ii) the percentage by which the Special Tax A shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax A for such Assessor's Parcel within sixty (60) days of the request and may charge a fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, IA A shall (i) distribute the funds remitted to it according to Section 6.A., and (ii) indicate in the records of IA A that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section 3.

7. Term of Annual Special Tax

Special Tax A shall be levied for a period not to exceed the 40 years commencing with Fiscal Year 2007-2008.

Special Tax B shall be levied as long as necessary to meet the Annual Special Tax Requirement for Services.

8. Exemptions

A. Special Tax A

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, (iii) Assessor's Parcels with public utility easement making impractical the utilization thereof for purposes other than those permitted in such easement, (iv) property described on Attachment A, or (v) as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in IA A to less than 67.70 acres of Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in IA A to less than 67.70 acres of Acreage shall be classified as Provisional Taxable Property, and will continue to be subject to Special Tax

A accordingly. Exempt Property status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

The Special Tax A Obligation for any property which would be classified as Public Property upon its transfer or dedication to a public agency but which is classified as Provisional Taxable Property pursuant to the first paragraph of Section 8.A above shall be prepaid in full by the seller pursuant to Section 6, prior to the transfer/dedication of such property to such public agency. Until the Special Tax A Obligation for any such Public Property is prepaid, the property shall continue to be subject to the levy of the Special Tax A as Provisional Taxable Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section 8 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

B. Special Tax B

No Special Tax B shall be levied on Public Property and Property Owner Association Property, including any such property that may otherwise be classified as Provisional Taxable Property under Section 8.A above.

3. Appeals

Any landowner who pays the Annual Special Tax and believes that the amount of the Annual Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Annual Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Annual Special Tax to be levied on such Assessor's Parcel in the next Fiscal Year. If following such consultation and action, if any by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the City Treasurer appealing the amount of the Annual Special Tax levied on such Assessor's Parcel. Upon the receipt of any such notice, the City Treasurer may establish such procedures as he or she deems necessary to undertake the review of any such appeal. The City Treasurer or designee thereof shall interpret this Rate and Method of Apportionment of Special Taxes and make determinations relative to the administration of the Annual Special Tax and any landowner appeals as herein specified. The decision of the City Treasurer or designee shall be final and binding as to all persons.

ATTACHMENT A

The property described in the following legal description prepared by Peter J. Fitzpatrick dated October 19, 2006 will not be subject to the Special Tax for CFD No. 2007-1.

Those portions of Lots 39, 40, 41 and 42 of the Tract 8084, in the City of Long Beach, County of Los Angeles, State of California, as shown on the map filed in Book 171, Pages 24 through 30, inclusive, of Maps and also shown on the map filed in Book 170, Pages 94 through 99, inclusive, of Records of Survey, both in the Office of the County Recorder of said County, lying northerly of the following described line:

Commencing at the centerline intersection of Lakewood Boulevard, 100 feet wide, and Carson Street, 100 feet wide, as shown on said Record of Survey; thence South $00^{\circ}17'22''$ West 1,622.34 feet; thence leaving said centerline South $89^{\circ}59'55''$ West 50.00 feet to the westerly line of said Lakewood Boulevard, said point being the **True Point of Beginning**; thence continuing South $89^{\circ}59'55''$ West 3,457.04 feet to the boundary line between the Cities of Lakewood and Long Beach, said line having a bearing and distance of North $00^{\circ}17'02''$ East 464.28 feet as shown on said Record of Survey.

This legal description is not intended to be used in the conveyance of land in violation of the subdivision map act of the State of California.

EXHIBIT D

RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA B OF THE
CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK – COMMERCIAL AREA)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

An Annual Special Tax shall be levied on all Taxable Property within the boundaries of Improvement Area B of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area), Improvement Area B (“IA B”) and collected each Fiscal Year commencing in Fiscal Year 2007-2008 according to the tax liability determined through the application of this Rate and Method of Apportionment of Special Taxes to the extent and in the manner herein provided.

1. Definitions

“Acre” or “Acreage” means the land area of an Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on an Assessor’s Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, record of survey or other recorded document creating and describing such area of land. The square footage of an Assessor’s Parcel is equal to the Acreage of such parcel multiplied by 43,560 square feet. Notwithstanding the foregoing, “Acre” or “Acreage” shall not include the area of any land subject to an easement in favor of the City for roadways, as determined by the CFD Administrator.

“Act” means the Long Beach Special Tax Financing Improvement Law, as amended, being Sections 3.52.511 et seq. of the Long Beach Municipal Code.

“Administrative Expenses” means the following actual or reasonably estimated costs directly related to the administration of IA B: computing the IA B Annual Special Tax; preparing the Annual Special Tax collection schedules (whether by the City or designee thereof or both); collecting the Special Taxes (whether by the City, the County or otherwise); remitting the Special Taxes to the Trustee; fees and expenses of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, IA B, or any designee thereof complying with federal arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, CFD No. 2007-1, or any designee thereof complying with disclosure or reporting requirements of the City or IA B, associated with applicable federal and State laws; preparing the Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; related to an appeal of the Special Tax; and the City’s annual administration fees and any expenses related to IA B or the Bonds, and any other cost or expense of the City related to any of the foregoing. Administrative Expenses shall also include amounts estimated or advanced by the City or IA B for any other administrative purposes of IA B, including attorney’s fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

“Annual Special Tax” means any Special Tax levied within IA B pursuant to the Act and this Rate and Method of Apportionment of Special Taxes for any Fiscal Year.

“Annual Special Tax Requirement for Facilities” means that amount required in any Fiscal Year to: (i) pay IA B Debt Service; (ii) pay periodic costs on the IA B Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay IA B Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all IA B Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities, provided that the inclusion of such amount does not cause the IA B Special Tax to be levied on Undeveloped Property, and (vi) pay for reasonably anticipated delinquent IA B Special Tax A based on the delinquency rate for IA B Special Tax A levy in the previous Fiscal Year; less (vii) a credit for funds available to reduce the IA B annual Special Tax A levy, as determined by the CFD Administrator pursuant to the Indenture.

“Annual Special Tax Requirement for Services” means that amount required in any Fiscal Year to: (i) pay the costs of Services incurred or otherwise payable in the Calendar Year commencing in such Fiscal Year; (ii) fund an operating reserve for the costs of Services as determined by the CFD Administrator; less a credit for funds available to reduce the annual Special Tax B levy as determined by the CFD Administrator.

“Assessor” means the Assessor of the County.

“Assessor's Parcel” means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

“Assessor's Parcel Map” means an official map of the Assessor designating parcels by Assessor's Parcel Number.

“Assessor's Parcel Number” means the number assigned to an Assessor's Parcel by the Assessor for purposes of identification.

“Bonds” means any bonds or other indebtedness of IA B, whether in one or more series, payable from the proceeds of the levy of all or a portion of Special Tax A.

“Calendar Year” means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an official of the City, or designee thereof, responsible for determining the Annual Special Tax Requirement for Facilities, the Annual Special Tax Requirement for Services, and for preparing the Annual Special Tax roll.

“CFD No. 2007-1” means the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park-Commercial Area).

“City” means the City of Long Beach, California.

“Consumer Price Index” means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for “All Urban Consumers” in the Los Angeles- Anaheim-Riverside Area, measured as of the month of April in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index that is reasonably comparable to the Consumer Price Index for the City of Los Angeles, as determined by the CFD Administrator.

“Council” means the City Council of the City acting as the legislative body of IA B under the Act.

“County” means the County of Los Angeles, California.

“Debt Service” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Developed Property” means for any respective Fiscal Year, all Taxable Property, exclusive of Property Owner Association Property or Public Property, for which a building permit for new construction was issued after January 1, 2006 and prior to March 1 of the previous Fiscal Year.

“Development Agreement” means the Development Agreement, dated as of December 21, 2004 executed by the City and McDonnell Douglas Corporation (recorded on June 2, 2005 as Document No. 05-1290603 in the Los Angeles County Recorder’s Office), and as amended from time to time.

“Exempt Property” means Assessor’s Parcels designated as being exempt from the Special Tax pursuant to Section 8.

“Fiscal Year” means the period starting on July 1 of any year and ending June 30 of the following Calendar Year.

“Improvement Area B” or “IA B” means Improvement Area B of CFD No. 2007-1, as identified on the boundary map for CFD No. 2007-1, as in effect on the date of formation of IAA, and as may thereafter be amended in accordance with the Act.

“Indenture” means the indenture, trust agreement, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Maximum Special Tax A” means the Maximum Special Tax A determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Maximum Special Tax B” means the Maximum Special Tax B determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Outstanding Bonds” mean all Bonds that are outstanding under the Indenture.

“Property Owner Association Property” means any Assessor’s Parcel owned in fee by a property owner association, including any master or sub-association.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax A levy to the Maximum Special Tax A is equal for all Assessor’s Parcels of Developed Property for the applicable Fiscal Year and that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is equal for all Assessor’s Parcels of Developed Property for the applicable Fiscal Year. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax A levy per Acre to the Maximum Special Tax A per Acre is equal for all Assessor's Parcels of Undeveloped Property for the applicable Fiscal Year and that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is equal for all Assessor’s Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section 4 below.

“Provisional Taxable Property” means all Assessor’s Parcels of Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the

provisions of Section 8, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 8.

“Public Property” means any property within the boundaries of IA B, which is owned by, or irrevocably offered for dedication to, the federal government, the State, the County, the City or any other public agency.

“Services” means the services eligible to be funded by IA B.

“Special Tax” means any Special Tax A and/or Special Tax B levied within IA B pursuant to the Act and this Rate and Method of Apportionment of Special Taxes.

“Special Tax A” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA B to fund the Annual Special Tax Requirement for Facilities.

“Special Tax B” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA B to fund the Annual Special Tax Requirement for Services.

“Special Tax A Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax A for the period described in Section 7 below.

“State” means the State of California.

“Taxable Property” means all of the Assessor's Parcels within the boundaries of IA B, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 below.

“Trustee” means the trustee or fiscal agent acting in that capacity under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property within the boundaries of IA B not classified as Developed Property or Provisional Taxable Property.

2. Classification of Property within CFD No. 2007-1

Each Fiscal Year, beginning with Fiscal Year 2007-2008, the CFD Administrator shall classify each Assessor’s Parcel within the boundaries of IA B as Taxable Property or Exempt Property. Taxable Property within the boundaries of IA B shall be further classified as Developed Property, Provisional Taxable Property or Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment of Special Taxes determined by the CFD Administrator pursuant to Sections 3 and 4 below.

3. Maximum Special Tax Rates

A. Special Tax A (Facilities)

(i). Developed Property

The Maximum Special Tax A for each Assessor's Parcel classified as Developed Property shall be \$13,530.50 per Acre for Fiscal Year 2007-2008.

(ii) Undeveloped Property and Provisional Taxable Property.

The Maximum Special Tax A for each Assessor's Parcel classified as Undeveloped Property or Provisional Taxable Property shall be \$13,530.50 per Acre for Fiscal Year 2007-2008.

B. Special Tax B (Services)

(i). Developed Property

The Maximum Special Tax B for each Assessor's Parcel classified as Developed Property shall equal \$1,516.50 per Acre for Fiscal Year 2007-2008.

(ii). Undeveloped Property

The Maximum Special Tax B for each Assessor's Parcel classified as Undeveloped Property shall equal \$1,516.50 per Acre for Fiscal Year 2007-2008.

(iii). Property Owner Association Property and Public Property

No Special Tax B shall be levied on Public Property or Property Owner Association Property in IA B, including but not limited to any such property classified as Provisional Taxable Property.

C. Escalation of Special Tax

Special Tax A

On July 1st of each Fiscal Year, commencing July 1, 2008, the Maximum Special Tax A for Developed Property, Undeveloped Property and Provisional Taxable Property shall increase by two-percent (2.0%) of the amount in effect in the prior Fiscal Year.

Special Tax B

On July 1st of each Fiscal Year, commencing July 1, 2008, the Maximum Special Tax B shall be increased by the greater of (i) the most recent annual percentage change in the Consumer Price Index or (ii) two-percent (2%) of the amount in effect in the prior Fiscal Year.

4. Method of Apportionment

A. Special Tax A

For each Fiscal Year the CFD Administrator shall determine the Annual Special Tax Requirement for Facilities and levy Special Tax A, until the amount of Special Tax A equals the Annual Special Tax Requirement for Facilities. The Special Tax A shall be levied each Fiscal Year as follows:

First: The Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the Maximum Special Tax A for Developed Property;

Second: If additional monies are needed to satisfy the Annual Special Tax Requirement for Facilities after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax A for Undeveloped Property and;

Third: If additional monies are needed to satisfy the Annual Special Tax Requirement for Facilities after the first two steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Taxable Property at up to 100% of the Maximum Special Tax A for Provisional Taxable Property.

B. Special Tax B

For each Fiscal Year the CFD Administrator shall determine the Annual Special Tax Requirement for Services and levy Special Tax B, until the amount of Special Tax B equals the Special Tax Requirement for Services. The Special Tax B shall be levied each Fiscal Year as follows:

First: The Special Tax B shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the Maximum Special Tax B for Developed Property; and

Second: If additional monies are needed to satisfy the Annual Special Tax Requirement for Services after the first step has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax B for Undeveloped Property.

5. Collection of Special Taxes

Collection of the Annual Special Tax shall be undertaken by the County in the same manner as ordinary ad valorem property taxes are collected and the Annual Special so levied Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the CFD Administrator may provide for (i) other means of collecting the Annual Special Tax, including direct billings thereof to the property owners in which event Special Taxes so levied shall be due and delinquent as provided in any such billing; and (ii) judicial foreclosure of any delinquent Special Taxes.

6. Prepayment of Special Tax A Obligation

The Special Tax A Obligation for any Assessor's Parcel may be prepaid in full and permanently satisfied at anytime, as described herein, provided that a prepayment may be made only if at the time of the prepayment there are no delinquent Special Taxes with respect to such Assessor's Parcel and all other Assessor's Parcels which are under the same ownership and located within IA B. An owner of an Assessor's Parcel intending to prepay the Special Tax A Obligation shall provide the CFD Administrator with written notice of intent to prepay and any fee (as determined by the CFD Administrator) required to calculate the prepayment. Within sixty (60) days of receipt of such written notice and fee payment, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel and the date through which the amount of such prepayment shall be valid. Special Tax B may not be prepaid.

A. Prepayment in Full

The "Prepayment" shall be an amount equal to the sum of (1) Principal, (2) Premium, (3) Defeasance (4) Unfunded Facilities, and (5) Fees, minus the Reserve Fund Credit, where the terms "Principal," "Premium," "Defeasance," "Unfunded Facilities", "Fees," and "Reserve Fund Credit," have the following meanings:

“Principal” means the principal amount of Bonds to be redeemed from the proceeds of such Prepayment and equals the amount derived by dividing; 1. (a) the applicable Maximum Special Tax A for the applicable Assessor's Parcel by (b) the projected aggregate Maximum Special Tax A for all Taxable Property as determined by the CFD Administrator (and excluding from (b) any Special Tax A for Assessor's Parcels which have fully prepaid the Special Tax), and 2. multiplying the quotient calculated in 1. by the principal amount of Outstanding Bonds as of the first interest and/or principal payment date following the then current Fiscal Year.

“Premium” means an amount equal to the Principal multiplied by the applicable redemption premium, if any, for the Bonds to be so redeemed with the proceeds of any such Prepayment, determined by reference to the Indenture.

“Defeasance” means an amount equal to the amount needed to pay interest on the Principal to be redeemed until the earliest redemption date as determined by the CFD Administrator for the Outstanding Bonds less the amount that is estimated by the CFD Administrator to be received from the reinvestment of the difference between the amount of the Prepayment and the Fees. Credit shall also be given for any Special Tax A heretofore paid and which will not be needed for purposes of funding the then current Fiscal Year's Annual Special Tax Requirement for Facilities.

“Fees” equal the fees and expenses of IA B, the Trustee, the CFD Administrator and the City related to the Prepayment and any corresponding redemption of Bonds, including but not limited to any Administration Expenses, publishing fees, and Bond call fees.

“Reserve Fund Credit” shall equal the lesser of (i) the expected reduction in the applicable reserve fund requirement (as determined by reference to the Indenture), if any, following the redemption of Bonds from proceeds of the Prepayment or (ii) the amount derived by subtracting the new reserve fund requirement in effect after the redemption of Bonds from the balance in the reserve fund (as determined by reference to the Indenture) on the prepayment date, but in no event shall such amount be less than zero.

“Unfunded Facilities” means an amount equal to the estimated cost of the unfunded public facilities allocable to the Assessor's Parcel for which the Prepayment is being calculated and is computed by multiplying the quotient calculated when determining Principal by \$10,682,000 less the estimated cost (as determined by the CFD Administrator) of any such facilities financed by previously issued Bonds. Unfunded Facilities shall equal zero following the issuance of all of the Bonds (i.e., all the authorized Bonds have been issued and/or IA B has covenanted not to issue any more Bonds, other than refunding Bonds).

The sum of the amounts calculated in the preceding steps shall be paid to IA B and shall be used to pay and redeem Bonds in accordance with the Indenture and to pay the Fees. Upon receipt of such Prepayment by IA B, the obligation to pay the Special Tax A for such Assessor's Parcel shall be deemed to be permanently satisfied, the Special Tax A shall not be levied thereafter on such Assessor's Parcel, and the CFD Administrator shall cause notice of cancellation of the Special Tax A for such Assessor's Parcel to be recorded.

Notwithstanding the foregoing, no prepayment shall be allowed unless the amount of Special Tax A that may be levied pursuant to this Rate and Method of Apportionment of Special Taxes after the proposed prepayment is at least the sum of (i) the estimated Administrative Expenses, based on the average annual

Administrative Expenses to date, and (ii) one hundred ten percent (110%) of the maximum annual Debt Service for the Bonds, taking into account the Bonds to remain outstanding after such prepayment.

B. Prepayment in Part

The Special Tax A on an Assessor's Parcel of Developed Property or Undeveloped Property for which building permits have been issued may be partially prepaid. The Prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E \cdot A) \times F + A.$$

These terms have the following meanings:

PP = the partial prepayment

P_E = the Prepayment calculated according to Section 6.A.

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax A.

A = the Fees from Section 6.A.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax A, (ii) the percentage by which the Special Tax A shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax A for such Assessor's Parcel within sixty (60) days of the request and may charge a fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, IA B shall (i) distribute the funds remitted to it according to Section 6.A., and (ii) indicate in the records of IA B that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section 3.

7. Term of Annual Special Tax

Special Tax A shall be levied for a period not to exceed the 40 years commencing with the Fiscal Year in which the first series of Bonds is issued.

Special Tax B shall be levied as long as necessary to meet the Annual Special Tax Requirement for Services.

8. Exemptions

.Special Tax A

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, (iii) Assessor's Parcels with public utility easement making impractical the utilization thereof for purposes other than those permitted in such easement, (iv) property described on Attachment A, or (v) as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in IA B to less than 47.70 acres of Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 2007-1 to less than

47.70 acres of Acreage shall be classified as Provisional Taxable Property, and will continue to be subject to Special Tax A accordingly. Exempt Property status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

The Special Tax A Obligation for any property which would be classified as Public Property upon its transfer or dedication to a public agency but which is classified as Provisional Taxable Property pursuant to the first paragraph of Section 8 above shall be prepaid in full by the seller pursuant to Section 6, prior to the transfer/dedication of such property to such public agency. Until the Special Tax A Obligation for any such Public Property is prepaid, the property shall continue to be subject to the levy of the Special Tax A as Provisional Taxable Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section 8 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

B. Special Tax B

No Special Tax B shall be levied on Public Property and Property Owner Association Property, including any such property that may otherwise be classified as Provisional Taxable Property under Section 8.A above.

3. Appeals

Any landowner who pays the Annual Special Tax and believes that the amount of the Annual Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Annual Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Annual Special Tax to be levied on such Assessor's Parcel in the next Fiscal Year. If following such consultation and action, if any by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the City Treasurer appealing the amount of the Annual Special Tax levied on such Assessor's Parcel. Upon the receipt of any such notice, the City Treasurer may establish such procedures as deemed necessary to undertake the review of any such appeal. The City Treasurer or designee thereof shall interpret this Rate and Method of Apportionment of Special Taxes and make determinations relative to the administration of the Annual Special Tax and any landowner appeals as herein specified. The decision of the City Treasurer or designee shall be final and binding as to all persons.

ATTACHMENT A

The property described in the following legal description prepared by Peter J. Fitzpatrick dated October 19, 2006 will not be subject to the Special Tax for CFD No. 2007-1.

Those portions of Lots 39, 40, 41 and 42 of the Tract 8084, in the City of Long Beach, County of Los Angeles, State of California, as shown on the map filed in Book 171, Pages 24 through 30, inclusive, of Maps and also shown on the map filed in Book 170, Pages 94 through 99, inclusive, of Records of Survey, both in the Office of the County Recorder of said County, lying northerly of the following described line:

Commencing at the centerline intersection of Lakewood Boulevard, 100 feet wide, and Carson Street, 100 feet wide, as shown on said Record of Survey; thence South $00^{\circ}17'22''$ West 1,622.34 feet; thence leaving said centerline South $89^{\circ}59'55''$ West 50.00 feet to the westerly line of said Lakewood Boulevard, said point being the **True Point of Beginning**; thence continuing South $89^{\circ}59'55''$ West 3,457.04 feet to the boundary line between the Cities of Lakewood and Long Beach, said line having a bearing and distance of North $00^{\circ}17'02''$ East 464.28 feet as shown on said Record of Survey.

This legal description is not intended to be used in the conveyance of land in violation of the subdivision map act of the State of California.

EXHIBIT E

CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK – COMMERCIAL AREA)

NOTICE OF PUBLIC HEARING

Notice is hereby given that on January 23, 2007, the City Council of the City of Long Beach adopted a Resolution entitled “A Resolution of the City Council of the City of Long Beach Declaring Intention To Establish A Community Facilities District And To Authorize The Levy Of Special Taxes Therein – Douglas Park Commercial Area.” Pursuant to the Long Beach Special Tax Financing Improvement Law, the City Council of the City of Long Beach hereby gives notice as follows:

A. The text of said Resolution of Intention is as follows:

WHEREAS, under the Long Beach Special Tax Financing Improvement Law, constituting Section 3.52.511 et seq. of the Long Beach Municipal Code (the “Law”), this City Council may commence proceedings for the establishment of a community facilities district; and

WHEREAS, on December 21, 1999, this City Council adopted Resolution No. C-27626 adopting local goals and policies for community facilities districts related to commercial development (the “Goals and Policies”); and

WHEREAS, there has been submitted to this City Council Petitions (Including Waivers) (collectively, the “Petitions”) of the owners of land entitled for commercial development in the Douglas Park area of the City of Long Beach (the “City”), requesting the formation by this City Council of a community facilities district under the Law to be known as the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area) (the “District”); and

WHEREAS, under the Law, this City Council is the legislative body for the proposed District and is empowered with the authority to establish the District and levy special taxes within the District; and

WHEREAS, this City Council now desires to proceed with the actions necessary to consider the establishment of the District.

NOW, THEREFORE, the City Council of the City of Long Beach resolves as follows:

Section 1. This City Council proposes to begin the proceedings necessary to establish the District pursuant to the Law. Receipt of the Petitions to form the District is hereby acknowledged. Formation of the District shall be subject to the Goals and Policies, unless specifically waived by this City Council in the proceedings to form the District.

Sec. 2. The name proposed for the District is City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area). Pursuant to Section 3.52.565 of the Law, the City Council hereby designates a portion of the District as Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area) (“Area A”), and

a portion of the District as Improvement Area B of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area) (“Area B”).

Sec. 3. The proposed boundaries of Area A and Area B of the District are as shown on the map of the District on file with the City Clerk, which boundaries are hereby preliminarily approved. The City Clerk is hereby directed to record, or cause to be recorded, the map of the boundaries of the District in the office of the Los Angeles County Recorder as soon as practicable after the adoption of this Resolution.

Sec. 4. The types of public facilities and services proposed to be eligible for funding by Area A of the District and pursuant to the Law shall consist of those items listed on Exhibit A hereto under the heading “Facilities” (the “Area A Facilities”) and under the heading “Services” (the “Area A Services”), respectively, which Exhibit is by this reference incorporated herein. The type of public facilities and services proposed to be funded by Area B of the District and pursuant to the Law shall consist of those items listed on Exhibit B hereto under the heading “Facilities” (the “Area B Facilities”) and under the heading “Services” (the “Area B Services”), respectively, which Exhibit is by this reference incorporated herein.

Sec. 5. Except to the extent that funds are otherwise available to Area A of the District to pay costs of the Area A Facilities, to pay the principal and interest as it becomes due on bonds of Area A of the District issued to pay costs of the Area A Facilities and/or to pay for the Area A Services, a special tax sufficient to pay the costs thereof, secured by recordation of a continuing lien against all non-exempt real property in Area A of the District, will be levied annually within Area A of the District and collected in the same manner as ordinary ad valorem property taxes or in such other manner as this City Council or its designee shall determine, including direct billing of the affected property owners. The proposed rate and method of apportionment of the special tax among the parcels of real property within Area A of the District, in sufficient detail to allow each landowner within the proposed Area A of the District to estimate the maximum amount such owner will have to pay and which otherwise complies with applicable provisions of the Law is described in Exhibit C attached hereto which Exhibit is by this reference incorporated herein.

Except to the extent that funds are otherwise available to Area B of the District to pay costs of the Area B Facilities, to pay the principal and interest as it becomes due on bonds of Area B of the District issued to pay costs of the Area B Facilities and/or to pay for the Area B Services, a special tax sufficient to pay the costs thereof, secured by recordation of a continuing lien against all non-exempt real property in Area B of the District, will be levied annually within Area B of the District and collected in the same manner as ordinary ad valorem property taxes or in such other manner as this City Council or its designee shall determine, including direct billing of the affected property owners. The proposed rate and method of apportionment of the special tax among the parcels of real property within Area B of the District, in sufficient detail to allow each landowner within the proposed Area B of the District to estimate the maximum amount such owner will have to pay and which otherwise complies with applicable provisions of the Law is described in Exhibit D attached hereto which Exhibit is by this reference incorporated herein.

Sec. 6. It is the intention of this City Council, acting as the legislative body for Area A of the District, to cause bonds of the City to be issued for Area A of the District pursuant to the Law to finance costs of the Area A Facilities. If so issued, the bonds shall be in the aggregate principal amount of not to exceed \$16,000,000, shall bear interest payable semi-annually or in such other manner as this City Council shall determine, at a rate not to exceed the maximum rate of interest as may be

authorized by applicable law at the time of sale of such bonds, and shall mature not to exceed 50 years from the date of the issuance thereof.

It is the intention of this City Council, acting as the legislative body for Area B of the District, to cause one or more series of bonds of the City to be issued for Area B of the District pursuant to the Law to finance the Area B Facilities. If so issued, the bonds shall be in the aggregate principal amount of not to exceed \$13,500,000, shall bear interest payable semi-annually or in such other manner as this City Council shall determine, at a rate not to exceed the maximum rate of interest as may be authorized by applicable law at the time of sale of such bonds, and shall mature not to exceed 50 years from the date of the issuance thereof.

Sec. 7. The levy of said proposed special tax in each improvement area of the District shall be subject to the approval of the qualified electors of such improvement area at a special election. The proposed voting procedure shall be by mailed or hand-delivered ballot among the landowners in the proposed improvement area of the District, with each owner having one vote for each acre or portion of an acre of land such owner owns in the respective improvement area of the District.

Sec. 8. Except as may otherwise be provided by law or the rate and method of apportionment of the special tax for the respective improvement area of the District, all lands owned by any public entity, including the United States, the State of California and/or the City, or any departments or political subdivisions of any thereof, shall be omitted from the levy of the special tax to be made to cover the costs and expenses of the Facilities for such improvement area, the issuance of bonds by the City for such improvement area and any expenses of the District for such improvement area.

Sec. 9. The Director of Financial Management of the City is hereby directed to study the proposed Facilities for each improvement area of the District and to make, or cause to be made, and file with the City Clerk a report in writing, presenting the following:

(a) A brief description of the Facilities and Services proposed to be eligible to be financed by each improvement area of the District.

(b) An estimate of the cost of providing the Facilities and Services for each improvement area of the District, including the costs of the proposed bond financing and any City administrative costs.

Said report shall be made a part of the record of the public hearing provided for below.

Sec. 10. Tuesday, February 20, 2007, at 5:00 p.m. or as soon thereafter as the matter may be heard, in the regular meeting place of this City Council, City Council Chambers, City Hall, 333 West Ocean Boulevard, Long Beach, California, be, and the same are hereby appointed and fixed as the time and place when and where this City Council, as legislative body for the District, will conduct a public hearing on the establishment of each improvement area of the District and consider and finally determine whether the public interest, convenience and necessity require the formation of each improvement area of the District and the levy of said special tax within each respective improvement area.

Sec. 11. The City may accept advances of funds or work in-kind from any owner of property in the District, and may use those funds or that work in-kind for any authorized purpose of the District, as contemplated by Section 3.52.5110 of the Law. The District may repay any funds so

advanced or the value or cost of the work in-kind, subject to the requirements of Section 3.52.5110, on such terms and under such conditions as this City Council, acting as legislative body of the District, may establish.

Sec. 12. The law firm of Quint & Thimmig LLP is hereby designated as Bond Counsel to the City for the District. The City Attorney is hereby authorized to execute an agreement with said firm for its services related to the District, in a form acceptable to the City Attorney.

Sec. 13. The firms of Citigroup and Merrill Lynch & Co. are hereby designated as underwriters to the City for any bonds to be issued for either improvement area of the District.

Sec. 14. The firm of Koppel & Gruber Public Finance is hereby designated as Special Tax Consultant to the City for the District, and the firm of Fieldman, Rolapp & Associates is hereby designated as Financial Advisor to the City for the District. The Director of Financial Services is hereby authorized and directed to execute agreements with said firms for their services in connection with the District, in form and substance acceptable to the Director of Financial Services.

Sec. 15. The City Clerk is hereby directed to cause notice of the public hearing described in Section 10 above to be given by publication one time in a newspaper published in the area of the District. The publication of said notice shall be completed at least seven days before the date herein set for said hearing. Said notice shall be substantially in the form of Exhibit E hereto.

Sec. 16. This Resolution shall take effect upon its adoption.

B. The exhibits to the Resolution which describe the facilities to be funded, and the rate and method of apportionment of the special taxes for, each improvement area of the district are on file in the office of the City Clerk.

C. The time and place established under said Resolution for the public hearing required under the Law are Tuesday, February 20, 2007, at the hour of 5:00 p.m. or as soon thereafter as the matter may be heard, in the regular meeting place of the City Council, City Council Chambers, City Hall, 333 West Ocean Boulevard, Long Beach, California.

D. At said hearing, the testimony of all interested persons or taxpayers for or against the establishment of each improvement area of the district, and the extent of each improvement area of the district or the furnishing of the specified types of facilities or services will be heard. Any person interested may file a protest in writing with the City Clerk. If fifty percent or more of the registered voters, or six registered voters, whichever is more, residing in the territory proposed to be included in an improvement area of the district, or the owners of one-half or more of the area of land in the territory proposed to be included in an improvement area of the district and not exempt from the special tax file written protests against the establishment of such improvement area and the protests are not withdrawn to reduce the value of the protests to less than a majority, the City Council shall take no further action to establish such improvement area or levy the special taxes for a period of six months from the date of the decision of the City Council, and if the majority protests of the registered voters or the landowners are only against the furnishing of a type or types of facilities or services within an improvement area of the district, or against levying a specified special tax in such improvement area, those types of facilities or services, or the specified special tax, will be eliminated from the proceedings to form such improvement area.

E. The proposed voting procedure shall be by special mail or hand-delivered ballot to the property owners within the territory proposed to be included in each respective improvement area of the district.

/s/ Larry G. Herrera
City Clerk,
City of Long Beach

**MAP OF PROPOSED BOUNDARIES
CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)**

CITY OF LONG BEACH
COUNTY OF LOS ANGELES
STATE OF CALIFORNIA

FILED IN THE OFFICE OF THE CITY CLERK THIS _____ DAY OF _____, 2007.

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWS PROPOSED BOUNDARIES OF CITY OF LONG BEACH COMMUNITY FACILITIES DISTRICT NO. 2007-1 (DOUGLAS PARK - COMMERCIAL AREA), CITY OF LONG BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF LONG BEACH AT A REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2007, BY ITS RESOLUTION NO. _____

LAUREY HERRERA
CITY CLERK
CITY OF LONG BEACH

FILED THIS _____ DAY OF _____, 2007, AT THE HOUR OF _____ O'CLOCK _____ M. IN THE BOOK _____ OF MAPS OF ASSIGNMENT AND COMMUNITY FACILITIES DISTRICTS, PAGE _____ AND AS AMENDED NO. _____ IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.

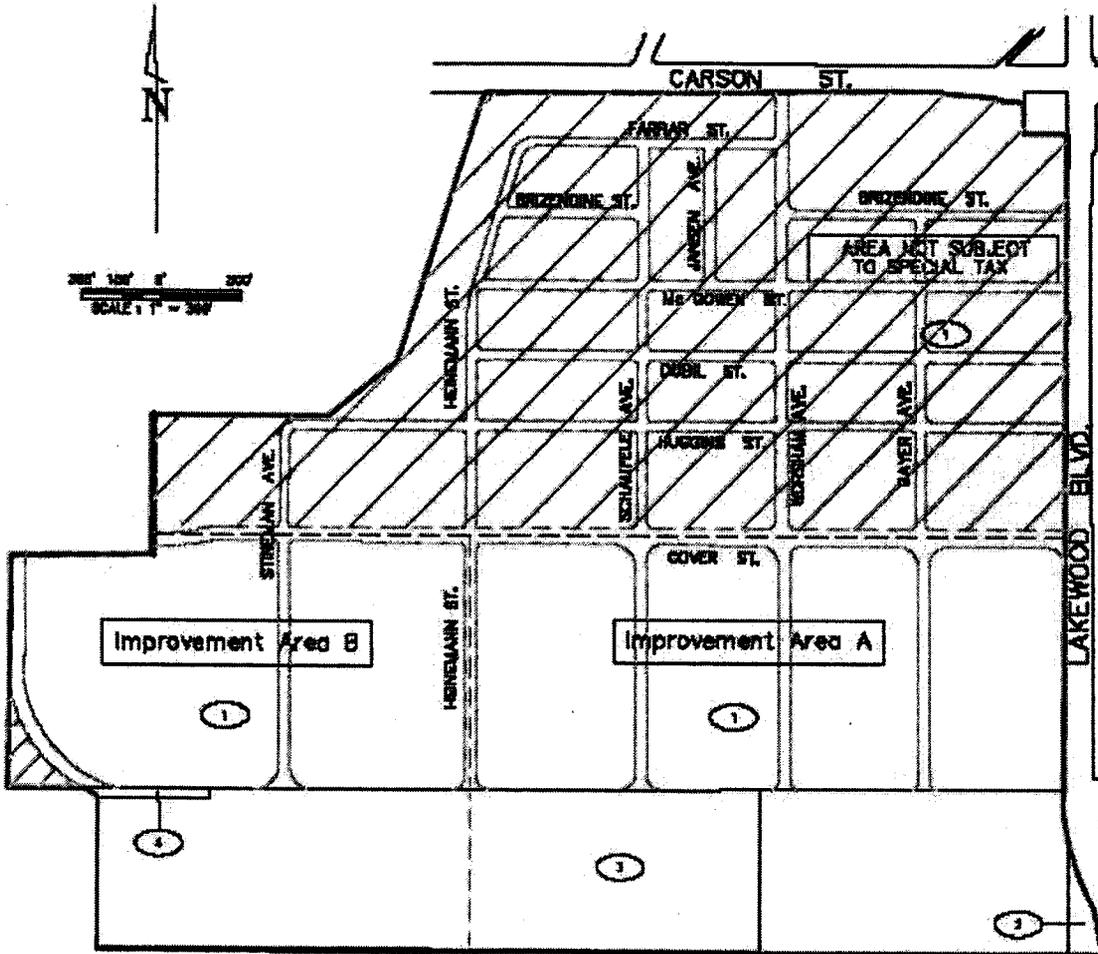
CONY D. BUCKENACK
COUNTY RECORDER
COUNTY OF LOS ANGELES
STATE OF CALIFORNIA

THE LINES AND DIMENSIONS OF EACH LOT OR PARCEL SHOWN ON THIS DIAGRAM SHALL BE THESE LINES AND DIMENSIONS AS SHOWN ON THE LOS ANGELES COUNTY ASSESSOR'S MAPS FOR THOSE PARCELS LISTED.

THE LOS ANGELES COUNTY ASSESSOR'S MAPS SHALL PREVAIL FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH LOTS OR PARCELS.

LEGEND

-  CFC BOUNDARY
-  IMPROVEMENT AREA BOUNDARY
-  MAP REFERENCE NUMBER
-  AREA NOT SUBJECTED TO SPECIAL TAX



KOPPEL & GRUBER
PLANNING ARCHITECTS ENGINEERS

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Van Ness, San Francisco, CA 94109
Phone (415) 399-0800 Fax (415) 399-0800

MAP REF. NO.	PROPERTY
1	10000000000000000000
2	10000000000000000000
3	10000000000000000000